

Assurance Report

1623 Louisiana State University (LSU)

September 14, 2016

Daniel T. Layzell, Vice President for Finance and Administration
Cindy Rougeou, Executive Director
The LASERS Audit Committee

EXECUTIVE SUMMARY

During the review of LSU, the following observations were noted and detailed below:

1. Rehired retiree reporting errors.
2. Enrollment reporting errors.
3. Agency reporting process errors.

BACKGROUND

This was a planned engagement on the fiscal year end 2016 Audit Plan. The fieldwork for this engagement was completed on August 1, 2016. LSU employs approximately 1,743 LASERS members.

SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of this engagement includes a review of records for LSU employees which included the following campuses:

- LSU Baton Rouge
- LSU Eunice
- LSU Alexandria
- LSU AgCenter Research & Extension
- LSU Paul M. Hebert Law Center
- Pennington Biomedical Research Center
- LSU System

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The primary objectives of this engagement were to determine if LSU:

- Accurately reports payroll, earnings and contributions information to LASERS.
- Accurately and timely enrolls eligible individuals into LASERS.
- Performs retirement and post retirement processing in an accurate and timely manner.
- Staff receives periodic training on LASERS related topics.

Procedures used to complete this engagement included:

- Inquiries of LASERS and LSU staff.
- Reviewing relevant personnel and payroll records.
- Reviewing record from the State of Louisiana Retirement Information System (SOLARIS).
- Comparing LASERS member records to LSU employee records using Audit Command Language (ACL).
- Conducting other inquiries considered necessary to achieve engagement objectives.

This engagement was conducted in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. REHIRED RETIREE REPORTING ERRORS

OBSERVATION

There were thirteen rehired retiree reporting errors identified. Nine retirees were rehired in LASERS eligible positions where reporting to LASERS was required, but they were not reported. Four retirees were reported to LASERS when they should not have been since they were rehired into positions that are not eligible for LASERS.

According to LA R.S. 11:416 (B), the retiree and the appointing authority of the employer agency covered by the system shall immediately notify the system of the retiree's date of employment, the option selected for reemployment purposes, the amount of his starting salary, any subsequent changes in salary, the estimated duration of employment, and the date of termination of employment. This notification and information is obtained via LASERS Re-employment of Retiree Forms. Additionally, LASERS Liaison Memo 13-23 states that when a retiree returns to work in a LASERS eligible position, the agency should submit a Re-employment of Retiree form to LASERS within forty-five days of hire. During this review, the agency indicated that they will provide training to ensure rehired retirees in LASERS covered positions are properly reported to LASERS.

It should be noted that during this review the agency has begun taking the necessary steps to correct the records in error and has resolved one retiree who was eligible to be reported to LASERS.

RECOMMENDATION #1

The agency should provide LASERS the necessary remaining information to properly correct the records for the retirees noted in this observation. Target completion date is December 31, 2016.

RESPONSE

LSU agrees with this recommendation and will notify LASERS of the date of reemployment, the option selected for reemployment, and termination date for the nine retirees. All of these rehired retirees elected to limit their earnings, therefore no contributions are required. LASERS will be notified of the Form 10-2 reporting for the ineligible retirees sent in error. Any earnings and contributions sent in error will be corrected. LSU is working with a new HR/Payroll and Finance system, which went live July 1, 2016.

RECOMMENDATION #2

The agency should review their rehired retiree procedures and process currently in place and make any necessary updates to ensure only eligible rehired retirees are reported to LASERS accurately and timely. Target completion date is December 31, 2016.

RESPONSE

LSU agrees with this recommendation and will monitor rehired retirees more closely, but it would be helpful if there was a way to identify employment statuses for retirees on the LASERS system. Most of these rehires are for game management and work seasonally for Athletics. Forms are missed because HR staff has already submitted it and thinks the retiree is still in an active status. If the status was available on the website it would help HR to know when a new form 10-2 is needed for these retirees that are hired and termed several times in a fiscal year.

As for training, LSU has had several cross campus HR trainings with the other Baton Rouge paid campuses when implementing the new system. Rehired retiree procedures were reinforced during this training.

AUDITOR COMMENT

In regards to the response above concerning the availability of employment statuses for rehired retirees on LASERS system, a change request has been entered to modify LASERS pension administration system to provide this information and the request will be prioritized accordingly. In the interim, LSU can contact LASERS in the situations where you are unsure of the rehired retiree's status within your agency. This can be accomplished by utilizing the Ask LASERS portion of the LASERS website (www.lasersonline.org/ask_LASERS).

2. ENROLLMENT REPORTING ERRORS

OBSERVATION

There were four enrollment reporting errors identified. Three individuals were not enrolled in LASERS upon becoming eligible and one individual was reported to LASERS despite being ineligible.

Three of the four individuals had ten or more years in LASERS while employed on a part-time basis. Since these individuals had ten or more years of service credit in LASERS prior to their respective hire date, they should have been reported to LASERS. According to LA R.S. 11:413(3), employees that are not eligible for LASERS include persons employed as of July 1, 1991, on a part-time, intermittent, temporary, or job appointment basis, except for those with ten or more years of creditable service in the system.

The remaining individual was working in a position that was not eligible for LASERS enrollment, but the agency enrolled this individual in error. It should be noted that during this review, the agency has provided LASERS with the necessary information to resolve this.

These types of errors can impact the service credit and final average compensation (FAC) for the affected individuals.

RECOMMENDATION #1

The agency should submit administrative error letters and work with LASERS to resolve the remaining three individuals. Target completion date is December 1, 2016.

RESPONSE

LSU agrees with this recommendation. The agency will submit an administrative error letter to LASERS and work with LASERS to resolve the remaining individuals. LSU has received information from LASERS on what is needed to finalize two of these employees, and are waiting on the information for the others.

RECOMMENDATION #2

The agency should review their enrollment procedures and process currently in place and make any necessary changes to ensure only eligible individuals are enrolled in LASERS accurately and timely. Target completion date is October 31, 2016.

RESPONSE

LSU agrees with the recommendation and their HR training should help ensure that our employees are coded correctly. Some of these errors involve secondary employment or rehired retirees, which as stated before, more information concerning their employment status on the LASERS system would aid HR representatives in coding these individuals.

AUDITOR COMMENT

In regards to the response above concerning the availability of employment statuses for rehired retirees on LASERS system, a change request has been entered to modify LASERS pension administration system to provide this information and the request will be prioritized accordingly. In the interim, LSU can contact LASERS in the situations where you are unsure of the rehired retiree's status within your agency. This can be accomplished by utilizing the Ask LASERS portion of the LASERS website (www.lasersonline.org/ask_LASERS).

3. AGENCY REPORTING PROCESS ERRORS

OBSERVATION

The following items related to agency contribution reporting were identified:

- a. There were five individuals where the monthly base pay reported to LASERS was overstated for select months. According to the agency, these individuals were paid from multiple accounts which caused this reporting error. For example, one individual was paid from two different accounts for the month, which doubled the monthly base pay reported to LASERS in error. It should be noted that during this review, the agency provided LASERS with the necessary information to resolve one of the five individuals.

- b. There were two individuals where the pay period and pay dates were incorrectly reported for off-cycle retroactive adjustments. According to the agency, the current method used to process off-cycle retroactive adjustments is manual. The manual nature of this process can lead to these types of reporting errors. It should be noted that during this review, the agency provided LASERS with the necessary information to resolve one of the two individuals.
- c. There were eight individuals where leave without pay (LWOP) dates were not reported to LASERS. According to the agency, the departments did not always load LWOP in order for the information to get reported to LASERS properly.

Incorrect reporting of base pay, pay period dates, pay dates, and leave without pay can cause errors in producing retirement estimates for members and can also impact the proper calculation of service credit. According to the agency, these reporting errors should be addressed with their new system called Workday, which went live effective July 1, 2016. The agency indicated that they will still need time to test this and will need several iterations to pass before knowing if it was fixed.

RECOMMENDATION #1

The agency should provide LASERS the necessary remaining information to properly correct the records for the individuals noted in this observation. Target completion date is October 31, 2016.

RESPONSE

LSU agrees with this recommendation and will provide the information requested in this observation, some of which has already been provided. Spreadsheets will be sent to update the base pay for the five individuals referenced, pay-period dates for the two individuals paid by lump sum, and clear up any LWOP dates where the information is available.

RECOMMENDATION #2

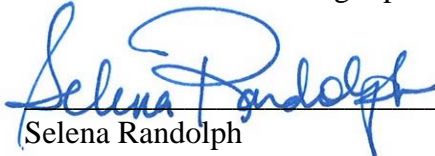
The agency should review their agency reporting procedures and process currently in place and make the necessary changes to ensure base pay, leave without pay, pay period start, end and payment dates are reported to LASERS accurately and timely. Target completion date is March 31, 2017.

RESPONSE

LSU agrees with this recommendation. LSU's SOLARIS file was updated when implementing their new Human Capital Management (HCM) and Finance system. The new system is programmed to provide LWOP dates when they are available. LWOP for less than a pay period will still be electronically unreportable. More of the fields are being populated with the new system, but there are still new situations that are being identified each month and being reprogrammed as they go. Particularly as it pertains to base pay and pay period start and end dates.

FOLLOW-UP

A follow-up to this engagement will not be scheduled at this time. Audit Services will maintain this information on a tracking report. These items will be tracked until they are closed.


Selena Randolph
Auditor


Ryan Babin, CIA, CISA
Audit Services Director

Cc: A.G. Monaco
Gaston Reinoso
Donna Dewailly
Tracey McGoeys
Belinda Doyle
Chad Brackin
Maris LeBlanc
Trey Boudreaux
Artie Fillastre
Tricia Gibbons
Wretha Drinnon
Jonathan Drago